REMARKS

Claims 1-21 were examined. All claims were rejected. In response to the above-identified Office Action, Applicants amend claims 1, 13, 14 and 17, but do not add or cancel any claims. Reconsideration of the rejected claims in light of the amendments and the following remarks is requested.

I. Claims Rejected Under 35 U.S.C. § 112, Second Paragraph

The Examiner rejected claim 6 under 35 U.S.C. § 112, second paragraph, for failing to particularly point out and distinctly claim the subject matter which Applicants regard as their invention, on the ground that the word "incentivising" is vague and indefinite. Applicants disagree with this assessment: the word has a definition in the American Heritage dictionary: "To offer incentives or an incentive to; motivate;" and Applicants explain that "[t]o encourage community members to submit their best preferences, a reward structure may be established to incent those members submitting the best performing preferences..." (*see* Specification p. 4, line 27 to p. 5, line 2). It is irrelevant that some may not be motivated by the reward offered; the requirement of the element is that the reward be offered, not that it actually cause a user to submit a high performing model portfolio. For at least this reason, Applicants request that this rejection be withdrawn.

The Examiner remarked that claim 13's "first subset" where there is not further claimed a "second subset" is vague and indefinite. Applicants disagree with this observation. The adjective does not cause any confusion within claim 13 itself, but it does facilitate distinguishing between the first subset and other subsets recited in claims that depend upon claim 13. Applicants respectfully request the Examiner to reconsider this position.

The Examiner asserts that the phrase "the second subset" in claim 19 lacks antecedent basis. Claims 13-19 recite a number of different subsets created by manipulating the recommendations for securities received from a population of users. Claim 19's second subset of securities is first mentioned in claim 16, from which claim 19 depends (through claim 18). Therefore, antecedent basis for the phrase exists, and Applicants respectfully request the Examiner to withdraw the rejection.

II. Claims Rejected Under 35 U.S.C. § 101

The Examiner rejected claims 1-21 under 35 U.S.C. § 101 as non-statutory because the method claims do not claim a technological basis. In *State Street Bank & Trust Co. v. Signature Financial* (149 F.3d 1368, Fed. Cir. 1998), the Court held that transformations of data that produce a useful, concrete and tangible result are patentable. Applicants' four independent claims operate on specified data to produce various results (*e.g.* a financial product, position changes for a mutual fund, and better dissemination of mutual fund holdings to investors). The Examiner does not assert these results are useless, abstract, or intangible. Therefore, under the analysis of *State Street Bank*, Applicants believe that the claims are drawn to patentable subject matter and ask that these rejections be withdrawn.

III. Claims Rejected Under 35 U.S.C. § 103(a)

The Examiner rejected claims 1, 3 and 7 under 35 U.S.C. § 103(a) as unpatentable over U.S. Patent No. 6,601,044 issued to Wallman ("*Wallman '044*") in view of U.S. Patent No. 6,484,151 issued to O'Shaughnessy ("*O'Shaughnessy*").

Wallman '044 is essentially concerned with reducing trading costs among a group of smaller investors, whose trades would otherwise include fractional shares, odd lots, and small amounts of shares that cannot be normally traded, or cannot be normally traded on a cost-effective basis. These economically unviable orders arise from the allocation of a small individual stake among a number of securities selected by a single investor's preferences. By aggregating many such investors' trades, each investor is able to acquire, in his own name, the precise amount of each security necessary to balance his portfolio according to his preferences. *See Wallman '044*, Summary.

As to claim 1, that claim recites a method including the operations of receiving over a wide-area network (WAN) an indication of a preference of a user from a first population of users that forms a virtual community and aggregating the preference into a database of previously received preferences from the first population, the aggregation being a set of preferences, and deriving a financial product for a second population of users from the set of preferences. This method is distinguishable from the material in *Wallman '044* for at least the following two reasons: first, *Wallman '044* has only a single population of users. They are the investors whose trades are aggregated to reduce trading costs. Since no second population of users is identified, *Wallman '044* fails to teach or suggest this limitation of claim 1.

Second, *Wallman '044* does not disclose deriving a financial product for a second population of users from the set of preferences received from the first population of users. The "preferences and trading data" mentioned at col. 11, line 52, are different than claim 1's set of preferences because *Wallman '044*'s preferences are used to generate a portfolio for the investor who submitted the preferences (*see* col. 11, lines 32-34), and not to derive a financial product for a second population of users that is not coextensive with the first population of users. Applicants note that it is unclear where in *Wallman '044* the Examiner is alleging the derivation is occurring.

The supplemental reference, *O'Shaughnessy*, is relied upon only for its teaching of a WAN as a network. Applicants note that the Internet is a WAN and it is therefore unclear what *O'Shaughnessy* adds to this combination. In any event, Applicants have been unable to locate any suggestion therein of two non-coextensive populations of users, or of deriving a financial product for a second population of users from the set of preferences received from a first population. Because *Wallman '044* and *O'Shaughnessy* fail to teach or suggest at least these two elements of claim 1, Applicants submit that the rejection of claim 1 under 35 U.S.C. § 103(a) is improper. Accordingly, the Examiner is respectfully requested to withdraw the rejection.

As to claims 3 and 7, those claims depend directly or indirectly upon claim 1, and are patentable for at least the reasons discussed in support of that claim. Applicants ask that the Examiner withdraw the rejection of claims 3 and 7 as well.

The Examiner rejected claims 2, 4, 5 and 8 under 35 U.S.C. § 103(a) as unpatentable over *Wallman '044* in view of *O'Shaughnessy* and further in view of U.S. Patent No. 6,338,047 issued to Wallman ("*Wallman '047*"). Each of these rejected claims is directly or indirectly dependent upon claim 1, which was shown to be patentable in the discussion above. Furthermore, *Wallman '047* is relied upon only for its alleged teachings of deriving a mutual fund, trading volume considerations, and requests for information about the mutual fund. Even assuming for the sake of argument that *Wallman '047*'s fund is, in fact, a financial product derived from a set of preferences received from a first population of users, it still is not derived *for a second population of users, the populations not being coextensive.* Instead, there is only one "population of users" in *Wallman '047*: the investors in the mutual fund. An investor joins the population by contributing money or securities to the fund, and leaves the population

by liquidating his holdings. There is no "second population of users" that is not coextensive with the first. Thus, *Wallman '044*, *Wallman '047*, and *O'Shaughnessy* together fail to teach at least that element of claim 1, which is present in claims 2, 4, 5 and 8 by virtue of their dependence from claim 1. Applicants request that the rejections of these claims be withdrawn.

The Examiner rejected claim 6 under 35 U.S.C. § 103(a) as unpatentable over *Wallman '044* in view of *O'Shaughnessy* and further in view of U.S. Patent No. 5,784,696 issued to Melnikoff (*"Melnikoff"*). Claim 6 depends upon claim 1, which was shown to be patentable over the references of record in the previous discussion. Applicants have reviewed *Melnikoff* but have been unable to locate any teaching or suggestion of the elements of claim 1 that are not present in *Wallman '044* and *O'Shaughnessy*. Thus, without even considering whether *Melnikoff* properly discloses ranking a model portfolio relative to a population of model portfolios and incentivising submitters of high performing model portfolios, as claim 6 recites, it is clear that the rejection of this claim cannot be maintained. Applicants respectfully request that the Examiner withdraw the rejection.

The Examiner rejected claims 9-12 under 35 U.S.C. § 103(a) as unpatentable over *Wallman '044* in view of *O'Shaughnessy* and further in view of U.S. Patent No. 6,236,980 issued to Reese (*"Reese"*). Claims 9-12 each depend directly or indirectly upon claim 1, which was shown to be patentable over the references of record in the previous discussion. *Reese* is relied upon for several teachings connected with the derivation of a newsletter and the generation of analyst reports, but the Examiner does not indicate, nor have Applicants discovered, any teaching or suggestion in *Reese* of the elements of claim 1 already noted to be absent from *Wallman '044* and *O'Shaughnessy*. Thus, for at least the reasons discussed in reference to claim 1, Applicants submit that claims 9-12 are also allowable over the references of record, and request that the rejections of these claims be withdrawn.

The Examiner rejected claims 13-21 under 35 U.S.C. § 103(a) as unpatentable over *Wallman '047* in view of *Wallman '044* and further in view of *O'Shaughnessy*.

Wallman '047 teaches a method of operating a mutual fund, and was applied for that reason in the Examiner's rejection of claim 2, discussed above. However, the mutual fund operated according to *Wallman '047* differs fundamentally from a mutual fund operated according to the method of claim 13. *Wallman '047* describes a fund that holds securities deposited by its investors, who take (or supplement) positions in the fund by contributing securities directly, or by contributing cash and designating securities to be purchased with that cash. (*See* col. 6, lines 22-33.) Each investor's proportionate share is recalculated after each deposit or withdrawal according to formulae disclosed at col. 7, lines 5, 11, 24 and 56.

Claim 13, by contrast, recites receiving recommendations for securities from a population of users over a wide area network (WAN), generating a population weighted scale (PWS) for a first subset of the securities recommended, and identifying position changes for a mutual fund from the first subset of securities recommended.

An investor in a *Wallman '047* fund can only affect the composition of the fund by depositing new securities, or by a "stock swap" procedure discussed at col. 7, line 63 through col. 8, line 7.[1] This is a direct effect: when the investor deposits securities, the fund's holdings change instantly in consequence. By contrast, a user from the population of users recited in claim 13 affects the composition of the fund *indirectly*, by submitting *recommendations for securities*. A PWS for a first subset of the securities recommended by the population of users is generated, and position changes for the mutual fund are identified. However, the fund's holdings are not thereby affected; only the fund's *target allocation* is affected. *Wallman '047*'s fund's composition is its own target, while claim 13's fund's target composition is (in part) that of the PWS.

For at least these reasons, Applicants respectfully submit that claim 13 is allowable over the references of record, and ask the Examiner to withdraw the rejection. As to claims 14-19, those claims depend upon claim 13, and are allowable for at least the same reasons. The Examiner should withdraw the rejections of those claims as well.

As to claims 20 and 21, the Examiner seems to have omitted discussion of the elements of these claims. In the absence of a *prima facie* case of unpatentability,

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[1] The stock swap procedure of *Wallman '047* (and its redemption procedures generally) are unworkable, but for reasons irrelevant to the instant analysis.

Applicants are entitled to a patent on the claimed material, and respectfully request that the Examiner withdraw the unsupported rejections.

CONCLUSION

In view of the foregoing, it is believed that all claims now pending, namely claims 1-21, patentably define the subject invention over the prior art of record, and are in condition for allowance and such action is earnestly solicited at the earliest possible date. If the Examiner believes that a telephone conference would be useful in moving the application forward to allowance, the Examiner is encouraged to contact the undersigned at (310) 207-3800.

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Respectfully submitted,
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Lillian E. Rodriguez — December 27, 2004